

## Message Text

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ACTION EUR-12

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DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04  
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ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01  
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E.O. 11652: N/A  
TAGS: ECEM, EEC, US  
SUBJECT: PHOSPHATE PROBLEMS IN THE COMMUNITY

REF: EC BRUSSELS 12558

1. EC COMMISSIONER CLAUDE CHEYSSON, ALLEGED TO BE ONE OF THE CHEERLEADERS IN THE EC ANTI-TRUST INVESTIGATION OF THE US PHOSPHATE INDUSTRY, RESPONDED ON DECEMBER 17 TO AMBASSADOR HINTON'S REQUEST FOR HIS VIEW OF THE COMMUNITY'S PROBLEMS IN THE PHOSPHATE FIELD. COMMISSIONER CHEYSSON, FORMERLY HEAD OF THE LARGEST FRENCH IMPORTER OF MOROCCAN PHOSPHATES (L'ENTREPRISE MINIERE ET CHIMIQUE) HAS OBVIOUSLY MAINTAINED A CLOSE INTEREST IN THE FERTILIZER SITUATION DURING HIS TERM AS EUROPEAN COMMISSIONER. AMBASSADOR HINTON ASKED WHY THE COMMISSION SEEMS TO BE SHOWING MORE INTEREST IN AMERICAN PHOSPHATE PRICING PRACTICES IN THE COMMUNITY  
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WHEN IT IS OBVIOUS THAT THE MOROCCAN PHOSPHATE INDUSTRY IS OF FAR GREATER IMPORTANCE TO EUROPE AND REALLY SERVES AS AN UMBRELLA FOR ANY AMERICAN PRICING POLICIES.

2. CHEYSSON SAID THAT THE PROBLEM HAD ORIGINALLY

ARISEN BECAUSE THE AMERICAN PRICING POLICIES (I.E. HIGH EXPORT PRICES ON PHOSPHATE ROCK BUT LOW PRICES ON PHOSPHATE FERTILIZER SHIPPED TO EUROPE) SEEMED TO INDICATE A DESIRE TO ELIMINATE THE EUROPEAN PHOSPHATE PROCESSING INDUSTRY. THIS IMPRESSION HAD BEEN FOSTERED BY SOME VERY INCAUTIOUS STATEMENTS BY THE HEAD OF THE INTERNATIONAL MINERALS CORPORATION TO HIS STOCKHOLDERS. EUROPEANS HAD ORIGINALLY CONCENTRATED ON THE HIGH PHOSPHATE ROCK PRICES, BUT RECENTLY THE LOW FINISHED PRICES OF PHOSPHATE FERTILIZERS HAVE APPEARED OF GREATEST CONSEQUENCE. HE SEEMED TO CONSTRUCT THE PROBLEM AS ONE OF DUMPING.

3. CHEYSSON SAYS THAT THERE IS NO REASON WHY A VIABLE EUROPEAN PHOSPHATE INDUSTRY CANNOT CONTINUE. HE DENIED THAT PREFERENTIAL EUROPEAN TARIFF RATES ON FINISHED MOROCCAN FERTILIZERS WOULD ACT AS AN INDUCEMENT TO MOVE PHOSPHATE PROCESSING FROM EUROPE TO MOROCCO. ROCK TRANSPORTATION COSTS ARE LOW; PHOSPHORIC ACID TRANSPORTATION COSTS ARE HIGH. PRODUCTION OF PHOSPHORIC ACID DEMANDS HIGH CAPITAL INVESTMENT AND LOW EMPLOYMENT. MOROCCO DOES NOT HAVE THE GAS SUPPLIES TO PRODUCE THE NITROGEN REQUIRED FOR FINISHED FERTILIZER. THUS, THE WHOLE ECONOMICS OF THE SITUATION ARGUE FOR A CONTINUED SUPPLY OF ROCK FROM MOROCCO TO EUROPE RATHER THAN ENCOURAGEMENT OF THE PROCESSING INDUSTRY IN MOROCCO. (CHEYSSON ADMITTED THAT THIS EXPLANATION WAS SOMEWHAT SIMPLISTIC AND DID NOT ACCOUNT FOR THE LIMITED OFFICIAL USE

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SITUATION IN DI-AMMONIUM PHOSPHATE.)

4. CHEYSSON SAID THAT THE COMMISSION'S ANTI-TRUST AUTHORITIES WERE RECEIVING COOPERATION FROM THE AMERICAN JUSTICE DEPARTMENT AND THAT HE HOPED THAT THE INVESTIGATION WOULD RESULT IN DECISIONS THAT WOULD ELIMINATE ANY PROBLEMS. HE DENIED THAT THE COMMUNITY WAS AVOIDING INVESTIGATING MOROCCAN SALES PRACTICES ON ACCOUNT OF MOROCCAN GOVERNMENTAL PARTICIPATION IN THE INDUSTRY. (COMMENT: WE HAD PREVIOUSLY BEEN TOLD THAT CHEYSSON WAS THE LEADING COMMISSION FORCE PRESSING FOR AN ANTI-TRUST INVESTIGATION OF US PHOSPHATE SALES PRACTICES IN EUROPE. OUR CONVERSATION SUGGESTS THAT THIS MAY INDEED BE SO, BASED PRINCIPALLY ON CHEYSSON'S BACKGROUND AS AN OLD FERTILIZER HAND.)

5. CHEYSSON'S GENERALIZATIONS ON THE STATUS OF THE

EUROPEAN PHOSPHATE INDUSTRY DO NOT CORRESPOND WITH  
SOME OF THE OTHER EXPLANATIONS WE HAVE HEARD. CON-  
SEQUENTLY, WE CONTINUE TO BELIEVE THAT AN INTERNATIONAL  
DISCUSSION OF THE PHOSPHATE SITUATION, AS PROPOSED IN  
REFTEL, WOULD BE USEFUL IN HELPING TO GET THE FACTS  
OUT IN THE OPEN. HINTON

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